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**Testimony of Eric Astrachan**  
**Executive Director, Tile Council of North America**  
**U.S. International Trade Commission Hearing on the Trans-Pacific Partnership**  
**Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors**  
**January 14, 2015**

Madam Chairman, Members of the Commission, thank you for the opportunity to testify today. I am Eric Astrachan, Executive Director of the Tile Council of North America – the trade association of the U.S. tile industry.

TCNA member companies account for more than 99% of U.S. tile production, and over 99% of U.S. mortar, grout and related installation products manufacturing. We serve as both a policy resource for member companies, and as a technical resource, conducting cutting-edge research and working with counterparts in other countries to establish international performance standards for tile.

TCNA has long had an interest in our free trade agreements, many of which have included long duty phase-outs in recognition of the import sensitivity of the U.S. tile industry. Most recently we participated in the Commission's 2012 hearing on the inclusion of Canada and Mexico and in the TTIP hearing. We and our member companies are concerned about the long-term consequences of granting duty free access for tile producers in the TPP member countries.

Though the U.S. industry is import-sensitive, it is sizable and growing. In 2014, our member companies' domestic shipments exceeded \$1.1 billion, and our tile-producing member companies, which include such well-known national brands as Daltile, American Marazzi, Florida Tile, Crossville, Interceramic, StonePeak, and many others, employed approximately 5,750 American workers.

Further, prior to the conclusion of the TPP negotiations, the U.S. tile industry witnessed a sizeable influx of both Asian and European investment along with domestic investment. The industry today includes both large and small companies offering beautiful and innovative products.

While design, of course, is a key element of competition, performance criteria are especially important with consumers relying on tile's long term structural stability, wear resistance, cleanability, freeze resistance, sustainability, and many other properties. This is

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intrinsic to the success of the industry as consumers expect tile installations to perform well, regardless of the origin of the tile.

Further, consumers expect tiles sold in the US to comply with US standards, although many imports do not, and the long term performance of the very properties on which consumers rely cannot be determined by simple inspection. For example, many imported tiles do not meet the US standard for porcelain tile, though they may be marked as porcelain. There are important strength, freeze thaw, cleanability, and dimensional stability differences in performance between tiles that comply and those that do not. Unfortunately, TPP will expand imports from some countries where product performance and accountability for US consumers are questionable at best.

The Tile Council and our member companies are on the cutting edge of tile technology, developing tiles, for example, that are antimicrobial for hospital and food service settings, exterior tiles for buildings that will help clean the air of smog and other volatile organic compounds, and very large and thinner tiles, for example 3' x 10' in a single piece, which are increasingly in-demand.

In short, we'd like to think the ceramic tile industry – employing thousands, investing in innovation, and growing – yet import sensitive – is just the type of sector that should concern trade policy makers. Indeed, the Tile Council must recognize the efforts of our negotiators at USTR, who negotiated long duty-phase-outs for ceramic tile and who resisted an attempt by Malaysia to weaken the TPP rule of origin for tile, permitting the simple act of glazing to confer origin. USTR's negotiators sought out our input during the talks, and endeavored to address our primary concerns. I'd also like to thank, if I may, Dan Shepherdson, David Michels, and Kathryn Lundquist of the Commission's staff. They have all sought to understand the industry and to work with us in international organizations such as the WCO.

Though we value the efforts of our negotiators, the tile industry has concerns about the long-term impact of TPP. The global tile industry is highly price-competitive and is therefore susceptible to competition from imports made cheaper by duty reductions.

Several TPP countries are poised to take advantage of the eventual elimination of U.S. duties on ceramic tile. While Malaysia and Vietnam are currently modest suppliers (in 2014, for example, Malaysia was the 25<sup>th</sup> largest exporter to the United States, by quantity, while Vietnam was the 31<sup>st</sup>), both countries have the potential to target the North American market. Many of the larger importers in the US source from all over the world, and they will take advantage of the lower duty TPP implementation will allow.

Our experience with Peru is a good example of the impact of duty elimination on imports. The bilateral free trade agreement between Peru and the United States has been in force since early 2009. From the end of 2008 through 2014, tile imports from Peru into the United States grew by 175%, from \$9.3 million to \$16.3 million. Peru is now the 7<sup>th</sup> largest exporter of tile, in

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both quantity and value, to the United States. Peru's export growth demonstrates how quickly countries can ramp up exports to the U.S. once tile tariffs are reduced.

The Tile Council's concern about import penetration is augmented by our past experience with Mexican Customs. After NAFTA went into effect, we witnessed a surge of mislabeled and lower quality tile imports into Mexico, some of which were destined for the United States. Similarly, after Mexico entered into a free trade agreement with Spain, tile labeled as "Made in Spain" entered Mexico via Mexico's West Coast ports.

As a rule, this tile was coming from China, the largest tile producer in the world with 48.4% of total world production. After protests from our member companies, Mexico's customs authorities conducted more stringent inspections, resulting in enforcement actions worth tens of millions of dollars. When Mexico and the United States eliminate tile tariffs for all TPP member countries, the Tile Council fears that customs fraud will only increase, augmenting the damage to our member companies from any growth in legitimate imports.

Very specifically, TCNA remains concerned about the possibility of transshipped tile through Malaysia and Vietnam upon implementation, and the consumers' lack of recourse for products not meeting our standards from these countries and others.

Finally, TPP contains a unique chapter on regulatory coherence. TCNA plays a leading role in standards-setting organizations such as ISO and ASTM. As an association, we are well aware of the importance of cooperation on standards issues, and of how standards are important for safety and consumer protection. TPP's regulatory coherence chapter, we hope, will serve as a good first step in multilateral efforts to harmonize standards while preserving important safety and consumer protection criteria.

The Tile Council appreciates this opportunity to testify today. Please do not hesitate to contact us should the Commission have any questions. The Tile Council has a wealth of industry knowledge and data and would welcome the opportunity to assist the Commission in its analysis.

Madam Chairman, Members of the Commission, TCNA will supplement this testimony, as necessary, with a post-hearing brief, but I thank you for the opportunity to testify and I look forward to any questions.

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